

**Report of the  
PUBLIC EMPLOYEE RETIREMENT  
ADMINISTRATION COMMISSION  
on the Examination of the  
Easthampton  
Contributory Retirement System  
For the Three Year Period  
January 1, 2000 - December 31, 2002  
PERAC 02: 10-032-29**

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July 2, 2004

The Public Employee Retirement Administration Commission has completed an examination of the Easthampton Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, 2000 to December 31, 2002. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Harry Chadwick and Robert Madison who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton  
Executive Director

## **Easthampton Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **1. Cash**

- a. The Retirement System does not review bank reconciliations performed by the Treasurer's Office. The previous PERAC audit ending in 1999 determined that the Board members did not review bank reconciliations. Based on the previous examination, the Board reviewed cash management procedures and on May 20, 2002 "decided to request that the city treasurer provide a bank reconciliation report" to be reviewed at monthly meetings. This review is not being conducted.
- b. The retirement system prints the 'Town of Easthampton Contributory Retirement System' on its payroll and expense checks.
- c. The Treasurer reconciles the bank account and also prepares and signs the checks.

#### **Recommendation:**

- a. The retirement system must establish a monthly procedure to review and approve bank reconciliations. In addition, bank reconciliations and monthly financial reporting (investment results, trial balance, etc.) must be referenced in the Board Minutes and approved by the Board.
- b. To limit errors and confusion, the name on the checks should be 'Easthampton Contributory Retirement System' rather than 'Town of Easthampton Contributory Retirement System.'
- c. The Treasurer should continue to reconcile the bank account; however, the Treasurer should not prepare the expense checks. The retirement system Administrator should prepare the expense checks including transfers and refund checks, and the Treasurer should continue signing the checks. In addition, the Treasurer must provide the Retirement System with a copy of the cashbook analysis and a copy of the bank statement.

#### **Board Response:**

- a. The bank statement, supporting documentation for the reconciliation, and trial balance will be approved by the Board at the monthly board meetings.
- b. The bank account name and checks have been changed.
- c. The Treasurer will continue to prepare the expense and refund checks. The Treasurer's preparation of the expense and refund checks adds an extra control not required by PERAC. The review and approval of the bank statement and supporting documentation pertaining to the reconciliation will be an additional control to ensure the integrity of the bank account from which the expense and refund checks are written. In addition, it would be cost prohibitive and inefficient to open a second account for the purpose of writing an average of five checks a month.

## **Easthampton Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT.)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **2. Annuity Reserve Interest Calculation**

The 2001 Annuity Reserve Interest Calculation could not be verified because January 2001 and December 31, 2001 general ledger entries could not be verified.

##### **Recommendation:**

The retirement system must make correcting entries to the Annuity Reserve Fund and the Annuity Savings Fund for 2001. The overstatement of the Annuity Reserve Fund can be corrected by an adjusting entry to debit the Annuity Reserve Fund and credit the Pension Reserve Fund for \$2,424.31 including interest. In addition, the retirement System must save hard copy records of all accounting activities as backup.

##### **Board Response:**

Journal entry has been recorded in the April 2004 financial statement.

#### **3. Board Minutes**

- a. A review of the minutes revealed that several Board members had a greater than twenty-five percent absentee rate during the 3-year audit period. The absentee percentages for the audit years ranged from approximately thirty-five percent to seventy-eight percent.
- b. The Retirement System's Executive Session minutes were found to be included in the regular minutes book.
- c. There were instances where minutes had not been signed.

##### **Recommendation:**

- a. Board members are expected to attend all scheduled Board meetings. The Board may want to consider changing the times of Board meetings in order to accommodate member's schedules. An absentee rate that exceeds twenty-five percent is not considered reasonable.
- b. Executive Session meetings and minutes generally contain more confidential information than the regular open meeting minutes, and therefore, should not be included in the regular minutes book. A separate book should be maintained and bound with the Executive Session proceedings.
- c. Although the lack of signatures on meeting minutes does not threaten the validity of the actions taken by the Board, best management practices suggest the Board members should attest to the minutes with their signature.

## **Easthampton Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT.)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **Board Response:**

- a. Noted.
- b. The Executive Session minutes will now be maintained in a separate book from the regular minutes book.
- c. Noted.

#### **Final Determination:**

***PERAC audit staff will follow-up in six (6) months to ensure appropriate actions have been taken regarding all findings.***

## Easthampton Retirement System

### STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Cash	\$5,975	\$103,199	\$19,163
Short Term Investments			
Fixed Income Securities (at book value)			
Equities			
PRIT Cash Fund	107,174	50,209	201,269
PRIT Core Fund	14,093,311	15,201,267	15,804,632
Interest Due and Accrued			
Accounts Receivable		211	2,171
Accounts Payable			(84)
<b>TOTAL</b>	<b><u>\$14,206,460</u></b>	<b><u>\$15,354,887</u></b>	<b><u>\$16,027,150</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$5,818,575	\$5,603,731	\$5,153,754
Annuity Reserve Fund	1,769,181	1,510,188	1,514,730
Pension Fund	1,364,317	1,390,053	1,380,569
Military Service Fund	1,154	0	0
Expense Fund	0	0	0
Pension Reserve Fund	5,253,233	6,850,914	7,978,097
<b>TOTAL</b>	<b><u>\$14,206,460</u></b>	<b><u>\$15,354,887</u></b>	<b><u>\$16,027,150</u></b>

## Easthampton Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2000)</b>	\$4,667,177	\$1,533,727	\$1,491,630	\$0	\$0	\$8,425,398	<b>\$16,117,932</b>
Receipts	698,223	44,315	1,174,469	0	131,854	(447,300)	<b>1,601,560</b>
Interfund Transfers	(101,279)	101,279	0	0	0	0	<b>0</b>
Disbursements	(110,367)	(164,591)	(1,285,531)	0	(131,854)	0	<b>(1,692,342)</b>
<b>Ending Balance (2000)</b>	<b>5,153,754</b>	<b>1,514,730</b>	<b>1,380,569</b>	<b>0</b>	<b>0</b>	<b>7,978,097</b>	<b>16,027,150</b>
Receipts	719,145	47,147	1,313,903	0	139,980	(1,127,183)	<b>1,092,991</b>
Interfund Transfers	(119,846)	119,846	0	0	0	0	<b>0</b>
Disbursements	(149,320)	(171,535)	(1,304,419)	0	(139,980)	0	<b>(1,765,254)</b>
<b>Ending Balance (2001)</b>	<b>5,603,731</b>	<b>1,510,188</b>	<b>1,390,053</b>	<b>0</b>	<b>0</b>	<b>6,850,914</b>	<b>15,354,887</b>
Receipts	719,643	47,405	1,380,494	1,154	147,704	(1,597,682)	<b>698,718</b>
Interfund Transfers	(397,111)	397,111	0	0	0	0	<b>0</b>
Disbursements	(107,688)	(185,523)	(1,406,230)	0	(147,704)	0	<b>(1,847,146)</b>
<b>Ending Balance (2002)</b>	<b>5,818,575</b>	<b>1,769,181</b>	<b>1,364,317</b>	<b>1,154</b>	<b>0</b>	<b>5,253,233</b>	<b>14,206,460</b>



# Easthampton Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2002	2001	2000
<b>Annuity Savings Fund:</b>			
Members Deductions	\$615,440	\$599,077	\$560,964
Transfers from other Systems	11,221	15,817	30,293
Member Make Up Payments and Redeposits	17,462	9,014	10,348
Investment Income Credited to Member Accounts	<u>75,520</u>	<u>95,237</u>	<u>96,618</u>
<b>Sub Total</b>	<b><u>719,643</u></b>	<b><u>719,145</u></b>	<b><u>698,223</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<u>47,405</u>	<u>47,147</u>	<u>44,315</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	25,604	25,604	25,597
Received from Commonwealth for COLA and Survivor Benefits	90,651	86,127	108,850
Pension Fund Appropriation	<u>1,264,240</u>	<u>1,202,172</u>	<u>1,040,023</u>
<b>Sub Total</b>	<b><u>1,380,494</u></b>	<b><u>1,313,903</u></b>	<b><u>1,174,469</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>1,154</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>1,154</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>147,704</u>	<u>139,980</u>	<u>131,854</u>
<b>Sub Total</b>	<b><u>147,704</u></b>	<b><u>139,980</u></b>	<b><u>131,854</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	4,549	4,280	2,171
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	716	(149)	4,061
Excess Investment Income	<u>(1,602,947)</u>	<u>(1,131,314)</u>	<u>(453,533)</u>
<b>Sub Total</b>	<b><u>(1,597,682)</u></b>	<b><u>(1,127,183)</u></b>	<b><u>(447,300)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$698,718</u></b>	<b><u>\$1,092,991</u></b>	<b><u>\$1,601,560</u></b>

# Easthampton Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>Annuity Savings Fund:</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Refunds to Members	\$25,413	\$24,778	\$71,039
Transfers to other Systems	<u>82,276</u>	<u>124,543</u>	<u>39,328</u>
<b>Sub Total</b>	<b><u>107,688</u></b>	<b><u>149,320</u></b>	<b><u>110,367</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	185,523	170,125	164,591
Option B Refunds	<u>0</u>	<u>1,410</u>	<u>0</u>
<b>Sub Total</b>	<b><u>185,523</u></b>	<b><u>171,535</u></b>	<b><u>164,591</u></b>
<b>Pension Fund:</b>			
Pensions Paid:			
Regular Pension Payments	754,806	736,898	732,173
Survivorship Payments	61,414	50,332	46,482
Ordinary Disability Payments	73,091	52,761	50,370
Accidental Disability Payments	216,195	185,370	184,835
Accidental Death Payments	73,644	73,090	71,893
Section 101 Benefits	0	0	0
3 (8) (c) Reimbursements to Other Systems	49,476	51,292	50,065
State Reimbursable COLA's Paid	177,606	154,675	149,713
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>1,406,230</u></b>	<b><u>1,304,419</u></b>	<b><u>1,285,531</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	0	0	0
Salaries	58,271	57,442	47,776
Legal Expenses	1,513	0	3,461
Medical Expenses	0	0	0
Travel Expenses	1,499	2,302	1,460
Administrative Expenses	17,988	17,907	16,407
Furniture and Equipment	7,431	857	5,711
Management Fees	61,003	61,473	57,040
Custodial Fees	0	0	0
Consultant Fees	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>147,704</u></b>	<b><u>139,980</u></b>	<b><u>131,854</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$1,847,146</u></b>	<b><u>\$1,765,254</u></b>	<b><u>\$1,692,342</u></b>

# Easthampton Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2002	2001	2000
<b>Investment Income Received From:</b>			
Cash	\$4,363.47	\$11,267.35	\$1,047.18
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	<u>484,243</u>	<u>498,667</u>	<u>510,542</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>488,607</u></b>	<b><u>509,935</u></b>	<b><u>511,589</u></b>
<b>Plus:</b>			
Realized Gains	21,257	104,414	2,601,452
Unrealized Gains	1,600,166	2,015,601	1,820,114
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>1,621,423</u></b>	<b><u>2,120,014</u></b>	<b><u>4,421,566</u></b>
<b>Less:</b>			
Realized Loss	(473,165)	(395,871)	0
Unrealized Loss	(2,968,029)	(3,083,028)	(5,113,901)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>(144,502)</u>
<b>Sub Total</b>	<b><u>(3,441,194)</u></b>	<b><u>(3,478,900)</u></b>	<b><u>(5,258,403)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>(1,331,164)</u></b>	<b><u>(848,951)</u></b>	<b><u>(325,248)</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	75,520	95,237	96,618
Annuity Reserve Fund	47,405	47,147	44,315
Military Service Fund	1,154	0	0
Expense Fund	<u>147,704</u>	<u>139,980</u>	<u>131,854</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>271,782</u></b>	<b><u>282,363</u></b>	<b><u>272,786</u></b>
Net Investment Income	<u>(1,331,164)</u>	<u>(848,951)</u>	<u>(325,248)</u>
Less: Total Income Required	<u>271,782</u>	<u>282,363</u>	<u>272,786</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>(\$1,602,947)</u></b>	<b><u>(\$1,131,314)</u></b>	<b><u>(\$598,034)</u></b>

## Easthampton Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

	<b>BOOK VALUE*</b>	<b>MARKET VALUE</b>	<b>PERCENTAGE OF TOTAL ASSETS</b>	<b>PERCENTAGE ALLOWED*</b>
Cash	\$5,975	\$5,975	0.04%	100
Short Term	0	0	0.00%	100
Fixed Income	0	0	0.00%	40 - 80
Equities	0	0	0.00%	40
PRIT Cash Fund	107,174	107,174	0.75%	100
PRIT Core Fund	14,093,311	14,093,311	99.20%	100
Accounts Receivable (A)	0	0	0.00%	
Accounts Payable (A)	0	0	0.00%	
<b>GRAND TOTALS</b>	<b><u>\$14,206,460</u></b>	<b><u>\$14,206,460</u></b>	<b><u>100.00%</u></b>	

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2002**, the rate of return for the investments of the **Easthampton** Retirement System was -8.72%. For the five year period ending December 31, **2002**, the rate of return for the investments of the **Easthampton** Retirement System averaged -0.25%. For the eighteen -year period ending December 31, **2002**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Easthampton** Retirement System was 7.95%.

**Easthampton Retirement System**

**SUPPLEMENTARY INVESTMENT REGULATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

The **Easthampton** Retirement System has not submitted any supplementary investment regulations.

## **Easthampton Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Easthampton** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **Easthampton Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Easthampton Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **Easthampton** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

July 13, 1993

A. All permanent employees of any member unit of the Town of Easthampton shall become members of the retirement system on the first day of employment. Such employees must have a regular scheduled work week of 20 hours or more per week with a commensurate salary.

B. An employee who works at least 20 hours per week but less than 35 hours shall be considered part time for the purpose of defining creditable service.



## **Easthampton Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

C. A seasonal employee who works more than 20 hours per week for five months or more in a year may elect to become a member of the Easthampton Retirement System on the first day of employment.

D. Part time employees whose work week is 20 hours or less and seasonal employees whose work week is less than 20 hours or who are employed less than 5 months in a year shall not become members of the Retirement System until they meet one of the requirements set out in A, B, or C above.

E. Elect officials shall continue to have the option of joining the Retirement System in accordance with G.L. c. 32, § 3(2)(a)(vi).

July 13, 1993

A. Full time employees will receive 1 full year of credit for each year employed.

B. Part time employees who were never employed on a full time basis will have a retirement allowance calculated on the basis of one year of credit for each year worked and their retirement allowance will be based on the average of their three highest years of salary.

C. Part time employees who were employed on both a part basis and a full time basis will have their retirement allowance calculated by using a ratio of actual part time hours worked to full time hours. The retirement allowance for members in this category will be calculated using the average of the highest 3 years of salary earned during his/her employment.

D. The Retirement Board shall credit as full time service, not to exceed a maximum of five years that period of time during which a provisional, reserve or permanent intermittent police officer or a reserve, permanent intermittent or call fire fighter was on his respective list; and provided further that such permanent intermittent or call fire fighter is later appointed as a permanent full time member of the fire department. (Approved as amended August 23, 1993).

August 27, 1999

1. Per Chapter 71 of the acts of 1996, all eligible members, as defined by Chapter 32, § 1, desiring to buy back military service time are required to make application to do so within 180 days of their initial eligibility.

2. The terms and conditions of such buybacks are:

- a. The eligible member may make a lump sum buyback payment at the time of application.
- b. The eligible member may make a lump payment any time prior to 60 days before retirement.
- c. The eligible member may make arrangements with the Easthampton Retirement Board to make installments payments, provided that in all cases the total amount due is paid in full 60 days prior to retirement.



# Easthampton Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Public Employee Retirement Administration Commission** as of **January 1, 2002**.

The actuarial liability for active members was	\$16,513,529
The actuarial liability for non-vested terminated members was	63,374
The actuarial liability for retired members was	<u>12,516,364</u>
The total actuarial liability was	<b>29,093,267</b>
System assets as of that date were	<u>15,354,887</u>
The unfunded actuarial liability was	<b><u>\$13,738,380</u></b>
The ratio of system's assets to total actuarial liability was	52.8%
As of that date the total covered employee payroll was	\$7,335,962

The normal cost for employees on that date was 7.89% of payroll

The normal cost for the employer was 7.34% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum  
**Rate of Salary Increase:** Varies by service and group

### GASB STATEMENT NO. 25, ACTUARIAL INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2002	\$15,354,887	\$29,093,267	\$13,738,380	52.8%	\$7,335,962	187.3%
1/1/2000	\$16,117,932	\$24,921,515	\$8,803,583	64.7%	\$6,443,688	136.6%
1/1/1998	\$14,342,686	\$22,233,866	\$7,891,180	64.5%	\$5,883,270	134.1%
1/1/1997	\$12,618,038	\$17,675,990	\$5,057,952	71.4%	\$5,413,004	93.4%

## Easthampton Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Superannuation	4	6	2	4	7	0	7	2	3	5
Ordinary Disability	0	0	0	1	0	0	0	0	1	1
Accidental Disability	1	0	2	1	0	1	0	0	0	1
<b>Total Retirements</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>4</b>	<b>7</b>
Total Retirees, Beneficiaries and Survivors	121	117	118	115	119	115	116	118	119	125
Total Active Members	198	199	202	210	218	216	242	253	260	259
<b>Pension Payments</b>										
Superannuation	\$604,525	\$669,434	\$686,964	\$734,145	\$743,271	\$727,131	\$770,299	\$732,173	\$736,898	\$754,806
Survivor/Beneficiary Payments	32,333	30,711	27,610	27,793	34,019	44,384	38,757	46,482	50,332	61,414
Ordinary Disability	24,321	24,321	24,321	33,830	33,043	29,368	<b>27,137</b>	<b>50,370</b>	52,761	73,091
Accidental Disability	77,270	81,551	113,573	149,983	143,323	176,015	186,159	184,835	185,370	216,195
Other	273,081	266,052	266,130	251,735	248,613	238,971	233,976	271,671	279,058	300,725
<b>Total Payments for Year</b>	<b>\$1,011,530</b>	<b>\$1,072,069</b>	<b>\$1,118,598</b>	<b>\$1,197,486</b>	<b>\$1,202,269</b>	<b>\$1,215,869</b>	<b>\$1,256,327</b>	<b>\$1,285,531</b>	<b>\$1,304,419</b>	<b>\$1,406,230</b>